

Department of Social and Health Services

DP Code/Title: M2-FD IRS Intercept Program Costs
Program Level - 060 Economic Services Admin

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Recommendation Summary Text:

Federal regulations require Washington State's Child Support Enforcement program to participate in the Federal Internal Revenue Service (IRS) Tax Intercept Program. The cost per intercept has increased from \$6.80 in Fiscal Year 1998 to \$11.65 in Fiscal Year 2002. This decision package requests funding to meet the increase in cost per intercept and an increase in the number of intercepts.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 060			
001-1 General Fund - Basic Account-State	100,000	100,000	200,000
001-A General Fund - Basic Account-DSHS Fam Support/Chi	193,000	193,000	386,000
Total Cost	293,000	293,000	586,000

Staffing

Package Description:

Federal regulations require the state's Child Support Enforcement program to participate in the federal IRS Tax Intercept Program. When a non-custodial parent owes \$250 or more in assistance arrears or \$500 or more in non-assistance arrears, the Division of Child Support (DCS) electronically certifies the child support case with the IRS. If the non-custodial parent is entitled to receive a tax refund, the IRS "intercepts" the refund, up to the amount owed, and forwards the funds to DCS. These funds are applied to the case and distributed according to federal and state regulations. The cost per intercept has increased from \$6.80 in 1998 to \$11.65 in 2002. This represents a 71 percent increase in costs in four years. In addition, the number of intercepts has increased over 32 percent during the same period. This percent is net of the increased number of intercepts received in Fiscal Year 2002 as a result of the additional tax rebates authorized by the President.

Narrative Justification and Impact Statement

How contributes to strategic plan:

This proposal directly supports the following Department of Social and Health Services (DSHS) goals:

Performance Measure Detail

Program: 060

Goal: 02A Safeguard and improve the well-being of children.

No measures submitted for package

Incremental Changes

FY 1

FY 2

Goal: 02F Maintain safety net for people in need.

No measures submitted for package

Incremental Changes

FY 1

FY 2

Reason for change:

This proposal will allow DCS to continue participation in the Tax Intercept Program without reducing services provided by field staff.

Impact on clients and services:

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The resources requested are directly related to increased costs and an increased number of offsets. Costs have increased by about 71 percent over a four year period. The number of intercepts has increased over 32 percent during the same period.

Funding this request will allow DCS staff to focus on hard to collect cases, non-custodial parent locate activities, enforcement of medical requirements and direct technical assistance to the custodial parents. These services increase collections which benefit children through retained support payments.

Impact on other state programs:

This proposal will allow continued participation in the IRS intercept program without impacting current service delivery. Uninterrupted service delivery will allow DCS to focus on collections thereby increasing the collection of retained support. The collection of retained support, by DCS, indirectly impacts all programs within the agency. These collections offset General Fund-State (GF-S) expenditures within the Title IV-A program. The greater the offset, the less reliance on direct ESA GF-S revenues. This "frees-up" monies for other programs.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

This is a fully automated process and is mandated by the federal government. The only alternative would be to reduce the number of field staff, which would reduce overall collections and subsequently reduce customer service and revenue collections.

Budget impacts in future biennia:

This is an ongoing program. Accordingly, all costs would continue into future biennia.

Distinction between one-time and ongoing costs:

All costs are ongoing.

Effects of non-funding:

If funds are not provided, DCS would be required to reduce the number of field staff at a level sufficient to cover the annual deficit. A field staff reduction would adversely impact our ability to provide customers with one-on-one services such as case analysis, case set-up, data collection, and would reduce revenue collections.

Expenditure Calculations and Assumptions:

Actual Calendar Year 1998 Costs	\$230,969
Est. Cal. Year 2002 Costs (\$11.65 x 45,000)	\$524,250
Increase in Annual cost	\$293,281
Increase in Biennial costs	\$586,562

FY 04	FY 05	Total
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GF-S	\$ 99,716	\$ 99,716	\$199,432
GF-F	\$193,565	\$193,565	\$387,130
Total	\$293,281	\$293,281	\$586,562

Fiscal Year	Number of Offsets	Cost Per Offset
1998	33,966	6.80
1999	37,272	7.45
2000	36,308	8.10
2001	41,666	10.20
2002	45,000(*)	11.65

(*) Projected offsets for process year 2002.

Object Detail

Program 060 Objects

E Goods And Services

<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
293,000	293,000	586,000

DSHS Source Code Detail

Program 060

Fund 001-1, General Fund - Basic Account-State

Sources Title

0011 General Fund State

<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
100,000	100,000	200,000
100,000	100,000	200,000

Total for Fund 001-1

Fund 001-A, General Fund - Basic Account-DSHS Fam Support/Chi

Sources Title

563I Title IV-D Child Support Enforcement (A) (66%)

193,000	193,000	386,000
193,000	193,000	386,000

Total for Fund 001-A

Total Program 060

293,000	293,000	586,000
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